



Required Report - public distribution

Date: 5/18/2000

GAIN Report #EG0016

Egypt

Tobacco and Products

Annual

2000

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Report Highlights:

Egypt's tobacco imports declined 9 percent in 1999, but projected to increase by 10 percent in 2000.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Cairo [EG1], EG

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Unmanufactured Tobacco

Production & Utilization

The public sector continues to maintain a monopoly on cigarette production in Egypt. The Eastern Tobacco Company (ETC) has been the sole manufacturer of cigarettes since it merged with the El-Nasr Tobacco Company in 1984. Both the public and private sectors, however, import and manufacture tobacco. About two-thirds of total tobacco consumption in Egypt is used to manufacture cigarettes. The remaining one-third is used for "moassil," or water-pipe tobacco production. Private sector processors produce all the water pipe tobacco in Egypt.

The production of most domestic brand cigarettes is based on blends consisting of about 50 percent flue-cured tobacco, 25 percent burley tobacco, and 25 percent oriental tobacco. Flue-cured tobacco is the major type of tobacco utilized by ETC. The ETC is a highly price-conscious buyer. As a result, to the extent possible, it will substitute lower-cost burley and flue-cured tobaccos from other sources for U.S. tobaccos.

Domestic cigarette brands comprise over 95 percent of Eastern's production. The remaining 5 percent consists of foreign brands (mainly Philip Morris and R.J. Reynolds) manufactured by Eastern under agreements with the parent companies. In 1999, the company utilized 200 MT of U.S. flue-cured from its old stock for the production of its local cigarette brands.

The majority of water-pipe tobacco is a blend of dark fire or air cured tobaccos (about 20 percent) with other tobaccos, mainly burley, and molasses. The production of fragrant water-pipe tobacco (apple, mint and citrus flavors) has been rising in the last few years.

Trade

Egypt is an important market for unmanufactured or unprocessed tobacco. The ETC is responsible for about 80 percent of Egypt's tobacco imports. The remainder is imported by some 20-30 private sector companies for processing into water-pipe tobacco. Weak consumer purchasing power, combined with a freeze on cigarette consumer prices since 1991, has forced Eastern to increasingly focus its attention on lowest-cost sources. In the past, ETC was a major buyer of U.S. tobacco. Over the last several years, public and private sector importers have turned to cheaper sources of tobacco. In 1999, total tobacco imports were estimated at 50,870 MT, a 9 percent decline from the 1998 level. Tobacco imports in 2000 are projected to increase by about 10 percent. Although ETC prefers U.S. tobacco for its quality and flavor, the gap between U.S. tobacco prices and the price of other foreign tobaccos has increased significantly over the last four years, to the extent that imports from the U.S. have become prohibitively expensive. In 1999, China and Italy were the major tobacco exporters to Egypt versus Brazil and China in 1998.

Prices for imported tobacco in 1999 were reported (All in U.S. dollar per Kg/FOB) as follows: China (2.18), Italy (2.17), Greece (3.10), Brazil (2.84), Bulgaria (2.71).

Stocks

ETC officials indicate that in 1999 company stocks were equal to 10 months of production requirements, compared to 9 months in 1998. For technical reasons (aging), Eastern would like to maintain stock levels sufficient to cover two years of production. Stocks below four months of production are considered to have reached a critical level.

Import Tariffs

According to Presidential Decree No. 351 of 1986, as amended in 1989 by Presidential Decree No. 205, import tariffs on tobacco are as follows:

Unmanufactured: Leaf - LE 9.00/kg for private sector imports, and - LE 6.10/kg for public sector imports (\$1 = LE 3.43).

Manufactured: Cut, pressed, or for chewing - LE 9.00/kg. Tariffs are rebated on exports of cigarettes and water-pipe tobacco.

PSD Table						
Country:	Egypt					
Commodity:	Tobacco, Unmfg.					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		01/98		01/99		01/2000
Area Planted	0	0	0	0	0	0
Beginning Stocks	30536	30536	38428	38428	0	39903
Farm Sales Weight Prod	0	0	0	0	0	0
Dry Weight Production	0	0	0	0	0	0
U.S. Leaf Imports	1000	0	0	0	0	0
Other Foreign Imports	42000	55462	55000	50870	0	55000
TOTAL Imports	43000	55462	55000	50870	0	55000
TOTAL SUPPLY	73536	85998	93428	89298	0	94903
Exports	0	0	0	0	0	0
Dom. Leaf Consumption	0	0	0	0	0	0
U.S. Leaf Dom. Consum.	500	0	0	0	0	0
Other Foreign Consump.	45000	47570	52000	49395	0	52000
TOTAL Dom. Consumption	45500	47570	52000	49395	0	52000
TOTAL Disappearance	45500	47570	52000	49395	0	52000
Ending Stocks	28036	38428	41428	39903	0	42903
TOTAL DISTRIBUTION	73536	85998	93428	89298	0	94903

Import Trade Matrix			
Country:		Units:	MT
Commodity:			
Time period:			
Imports for	1998		1999
U.S.		U.S.	
Others		Others	
Brazil	12,682	China	14,225
China	10,274	Italy	7,790
Italy	8,072	Greece	6,094
Greece	6,310	Brazil	3,071
Bulgaria	4,609	Bulgaria	2,525
Coratia	2,315	India	1,877
India	1,992	Coratia	1,542
Malawi	1,798	Malawi	1,283
Zimbabwe	1,768	Syria	1,000
Macdonia	1,678		
Total for Others	51498		39407
Others not listed	3,964		11,463
Grand Total	55462		50870